

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 18, 2012
7:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Joann Ernst, Rich Cunningham, and Dick Helgeson

Others Present: Roger Gray, Debra Smith, Wendi Schultz-Kerns, Karen Lee, Cathy Bloom, Sue Fahey, Mark Freeman, Mel Damewood, Brad Taylor, Roger Kline, Dave Churchman, Lance Robertson, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

Vice President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:32 p.m. He stated that President Simpson is ill and will be participating in tonight's meeting via conference call.

AGENDA CHECK

There were no items.

PUBLIC INPUT

Ron Felt stated that there are approximately 36 backflow testers on EWEB's approved list of testers, and that he is concerned about a change in the backflow testing contract that will occur on January 1, 2013. He explained that the new contract wants to limit the testing region to four areas based on the lowest bid in each area. He stated that his concern is that he and his fellow testers didn't realize that they would be in competition with EWEB for backflow testing and that they would like an opportunity to discuss this change in the contract with EWEB staff, and to delay the effective date of January 1, 2013. He added that he and his fellow testers do not want to force themselves to become the lowest bidder and have some of them be out of work, as it is a sideline job for many of them who do irrigation or similar jobs.

Allen Marchant echoed Mr. Felt's concerns that a five-year contract had been proposed and that he and his fellow backflow testers were given very short notice about the contract changes, and that they would like to propose a price increase, just as EWEB is proposing a rate increase. He noted that the person who is managing the contract is a sideline backflow tester who directly competes with he and his fellow testers and other markets outside of EWEB, and that he and his fellow testers believe it is a conflict of interest for this person to be able to influence the contract. He also noted that there are currently 16 backflow testing companies/individuals and that this proposed change in the contract would reduce the 16 companies down to four, or possibly one for the entire city.

Mark Kibbey of Landmark Irrigation became a backflow tester in 1982 because former EWEB backflow testing coordinator Steven West had approached him due to the fact that EWEB

couldn't hire backflow testers. He noted that it was supposed to be a free market type arrangement at the time and that even though EWEB managed the price, it has remained the same for years. He emphasized that he has paid his employees well and provided health insurance for them for 15+ years, and that this change in the contract is the wrong thing to do.

Jamie Hogate of Hogate Fire Protection stated that EWEB is attempting to put a price cap on backflow services, and that if testing is done anywhere else in Oregon, it costs \$40-50 per test. She noted that her company can't charge that because EWEB is only allowing a fee of \$35 per test, and now EWEB wants to pay the tester only \$8 when they charge the customer \$20. She suggested that EWEB charge \$75-100 per test and not tie the testers' hands by selling to the lowest bidder, and that the testers shouldn't be told they have to renegotiate their price if they're not the lowest bidder.

Commissioner Helgeson commented that he appreciates EWEB's relationship with the backflow testers, as he used to work in Water Operations and also worked with Stevne West, so he is familiar with the backflow testing program. He stated that he would be interested in continuing to do what EWEB can do to make it convenient and cost-effective for its customers but also be responsive to the backflow testers' concerns, and that he is confident that staff will do just that. He thanked the testers who were present for the good partnership they have had with EWEB over the years, and asked them to hang in there.

Commissioner Ernst thanked the backflow testers for attending and assured them that staff, General Manager Gray and the Board heard their concerns and questions. She admitted that she doesn't know a lot about this particular issue but that she will educate herself in the next week or so, and that she also feels confident that General Manager Gray and staff can resolve this issue for a win/win situation. She wondered if the Board should call a special meeting to discuss this.

President Simpson thanked the testers for attending and apologized for not being able to attend in person. He admitted that he is not up to speed on why this change in contract has been proposed but that he will quickly get up to speed and will be "holding some noses to the grindstone" to resolve this issue.

Commissioner Cunningham reminded the audience that he and Commissioner Ernst's terms are up at the end of this month, but he hopes that staff will find a solution that will make everyone happy, and that he is confident that staff will work with the testers to do so.

Vice President Brown commented that the Board hears their concerns, and that the two Commissioner-Elects are also present tonight and have also heard the testers' concerns. He noted that his concern is that a backflow tester comes out and winterizes his sprinkler system for a certain charge, and if part of that charge is for backflow, he's not going to "beat someone up" for \$25. He wondered how it passes EWEB's triple bottom line test when one person comes out to winterize his sprinkler system and another one comes out to conduct the backflow test. He stated that he is the one who should decide who does that, not EWEB.

Debra Smith, Assistant General Manager, introduced herself and also introduced Brad Taylor, Acting Water Operations Manager. She noted that EWEB has had some recent management changes in Water Operations, and that she hasn't had a chance to talk to Chuck Bodine, Water Distribution Supervisor, as he was ill last week, and she also noted that she had just been made aware of this issue yesterday. She explained that she is reviewing some past documentation from EWEB's perspective and that she wants to hear more from the backflow testers' perspective. She confirmed that she and Mr. Taylor have the flexibility to delay contract implementation to a time that is best for everyone, and that she will schedule a meeting right after the holidays. She also confirmed that the request for proposal (RFP) has not been sent out yet.

Commissioner Ernst thanked Ms. Smith and reiterated that even though she will be going off the Board at the end of December, she would like some input regarding this issue before then, as she wants to understand why EWEB is making this change because it seems like the system has worked well for a long time. She wondered what the advantages would be for EWEB customers and the backflow testers to change the process.

Ms. Smith replied that she will let the Board know staff's decision before the end of December and that she doesn't feel it is necessary to call a special Board meeting to discuss this issue.

CONSENT CALENDAR

MINUTES

- 1a. October 16, 2012 – Work Session
- 1b. November 6, 2012 – Executive Session
- 1c. November 6, 2012 – Work Session
- 1d. November 6, 2012 – Regular Session

RESOLUTIONS

- 2. Resolution No. 1221 – Approving revisions to customer service policies and procedures – all Utilities and Water policies. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

- 3. Budget Amendment # 10 – Distribution Metering Capital, Contact person is Debra Smith or Todd Simmons

President Simpson pulled item 1b, 1c and 1d and made some typographical changes. He also pulled budget amendment #10.

Commissioner Cunningham pulled item #2.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Regarding budget amendment #10, President Simpson said he will be voting in favor of the amendment, but made a correction in the figure for Actual Expenditures through November 2012, on page 1. He noted that he had verified with Cathy Bloom, Financial Services Manager, that the revised amount is the correct amount.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson, to approve budget amendment #10 with the above correction. The motion passed unanimously (5-0).

Regarding item #2, Commissioner Cunningham asked for confirmation that the fee for connection/disconnection of water service is being amended to \$75. Mel Damewood, Water Engineering Manager, replied that this fee is being raised from \$40 to \$75 for evening call-outs only. Mark Freeman, Customer Service Manager, added that this \$75 fee will be assessed when a customer forgets to call during normal business hours to turn on their water service and instead has to call the dispatcher after hours in order to turn it on. He added that the non-pay fee is being raised from \$15 to \$20, and that the shutoff fee is being raised from \$30 to \$35, and he noted that these fees are based on cost recovery except in the case of meter tampering.

Commissioner Ernst commented that she herself had to pay the \$75 reconnect fee when she bought her house because she closed in mid-afternoon and the seller had already disconnected their service, so she had to pay the fee. She wondered if the advanced metering infrastructure (AMI) project would take care of some of those issues.

Mr. Freeman replied that typically the above is a trust issue between the seller and the buyer, and that all of that is done ahead of time in order to alleviate that situation. He added that it sometimes depends on the time of year and the work load in the field that day, and that at times the serviceman can come back later that same day to start service if he is in the area and, if that occurs, the customer is charged the normal fee and not the \$75 fee.

Commissioner Helgeson commented that he realizes that EWEB meters are by and large very accurate, and that he can understand why EWEB wants to charge \$180 to have a meter checked for accuracy, but he is concerned that this puts the onus on the customer, and that it may be an obstacle for many customers. He asked staff to continue to pay attention to how that is working and keep the Board posted, as that fee may create some unintended consequences.

It was then moved by Commissioner Cunningham, seconded by Commissioner Ernst, to approve item #2. The motion passed unanimously (5-0).

2012 GENERAL MANAGER'S ANNUAL PERFORMANCE EVALUATION

Vice President Brown recalled that the Board met in Executive Session earlier this evening to review General Manager Gray's annual performance evaluation.

Lena Kostopulos, Human Resources Manager, stated that the Board is overall very satisfied with General Manager Gray's performance aside from some constructive suggestions that were made regarding communication with the public, marketing, and generally presenting EWEB in a more positive light. She added that the Board will receive a summary memo as part of its January 2, 2013 consent calendar.

Commissioner Helgeson commented that, as a new Commissioner, he has had a great experience working with General Manager Gray and that despite a number of challenges this year, General Manager Gray and staff have done excellent work.

Commissioner Ernst commented that she has every confidence that General Manager Gray will continue to lead EWEB forward, and that she also appreciates staff. She added that these are tough times for EWEB and she hopes that there will continue to be good alignment between Board, staff and General Manager Gray, and that there is will be opportunity for everyone to provide input.

President Simpson commented that he is thrilled with General Manager Gray's exemplary performance and that he has fit very well into the organization despite all of the recent changes that have required EWEB to tighten their belt. He said that General Manager Gray has his full support and confidence and that he has been nothing but amazed at his performance. He noted that though the Board discussed some "did well/do better" concepts with General Manager Gray, none of those are insurmountable, and that he looks forward to continuing to work with General Manager Gray. He thanked General Manager Gray for his leadership and said he hopes that General Manager Gray will continue at EWEB for many, many years to come.

Commissioner Cunningham commented that General Manager Gray has led EWEB in exemplary fashion, and that the new top management structure of General Manager Gray as General Manager along with Ms. Smith as Assistant General Manager works well, and that these two hard-working people will get the most out of EWEB employees and will receive their dedication. He echoed President Simpson's wish for General Manager Gray to continue at EWEB for many years.

Vice President Brown echoed the previous comments, and added that he appreciates General Manager Gray's ability to receive the Board's constructive criticism and continue to move EWEB forward, and also his ability to recognize the challenges EWEB is faced with while still recognizing the value of its employees. He added that though it was painful for General Manager Gray to lay off employees and hear criticism from the public, his willingness to defend EWEB's employees and have the public understand the root cause of the layoffs shows his ability to lead, and also shows that he values EWEB's employees.

General Manager Gray thanked the Board for their comments, and said he appreciates their feedback and also their acknowledgment of staff. He noted that the praise of EWEB staff is well-deserved and that he just happens to be the one who leads them. He voiced ownership of the "did well/do better" items and said that he will ask for staff assistance in order to improve. He closed by commending EWEB staff for helping him get through a tough year.

DOMINION POWER SERVICES, SMITH CREEK O&M CONTRACT AWARD

Roger Kline, Generation & Fleet Services Manager, recalled the backgrounder memo that the Board received prior to tonight's meeting, noting that Dominion Power Services was the previous contractor, and that their bid once again came in as the most cost-effective.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson (for the purpose of discussion), to approve the above contract.

Commissioner Helgeson asked for a brief explanation of the contract scope. Mr. Kline replied that it is a traditional labor, materials and equipment contract with contingency for overtime required, etc.

President Simpson stated that he will vote for this contract award but noted that it should not be part of the consent calendar.

The motion then passed unanimously (5-0).

COMMISSIONERS CUNNINGHAM AND ERNST APPRECIATION

President Simpson appreciated the following regarding Commissioner Ernst's tenure on the Board:

- Commitment to conservation and renewable power
- Support of him as Board President
- Well-prepared for meetings and took the time to drill down and understand issues
- Time invested meeting with staff to understand various concepts and issues
- Commitment to IERP and attendance at IERP meetings (for a period of one year)
- Values of appropriate energy sourcing and advocating not only for renewable energy options but also for generation and "power to the people"
- Commitment to sustainability
- 100% paperless approach and working off a laptop at Board meetings, which will hopefully eventually result in each Commissioner using a laptop at meetings in 2013
- Concern for low-income customers
- Sensitivity and awareness - "Don't sacrifice comfort for reliability"

President Simpson appreciated the following regarding Commissioner Cunningham's tenure on the Board:

- Passion about Community Care funding and "looking out for the little guy"
- Concern about impact of rate increases
- Willingness to open up every page of the budget
- The ultimate politician: "I've never met a budget you couldn't trim 3% from"

- Has learned much from his perspective of what people don't say and the subtext that goes along with that
- Support of energy education grant program and Board governance
- Praise of EWEB employees in the field and the office
- Truly caring about EWEB
- Observed a maturity of knowledge of various issues throughout his term

President Simpson told both Commissioners it was a pleasure to serve on the Board with them and wished them the best.

Vice President Brown thanked both Commissioners for their dedication to EWEB and the community, and for challenging conversations, respectful dialogue, and their commitment to work together for the common good.

Commissioner Helgeson told both Commissioners that he had appreciated working with them as both a previous EWEB staff member and currently a Commissioner. He thanked them for helping him get up to speed as a new Board member.

Commissioner Cunningham commented that his term on the Board helped him learn about the diversity of the community, and that he appreciated the fact that the Board could come together, even as diverse individuals, to make decisions which were in the best interest of all of EWEB's ratepayers.

General Manager Gray echoed the previous comments, thanked the Commissioners for their public service, wished them the best, and said that it has been a pleasure to work with both of them.

He told Commissioner Cunningham that he appreciated his concern and passion about the impact of rate increases, especially in the last year.

He told Commissioner Ernst that he also appreciated her concern and passion about the impact of rate increases, and her constant reminders for Board and staff to not lose their vision of the future. He also thanked her for her incredible contributions to EWEB's Integrated Energy Resource Plan (IERP).

Steve Mital, Commissioner-Elect, thanked Commissioner Ernst for her mentorship. He noted the following appreciations:

- Well-prepared for Board meetings and always asks the essential questions
- Represented low-income customers passionately and respectfully –hopes that will not be lost now that her term is ending
- Principled and courageous – unafraid to raise unpopular perspective
- Focused on things that make us proud of EWEB—conservation, stewardship and responsibility

- Set a great example of what a Commissioner should be – hopes he can live up to that example

Commissioner-Elect James Manning commended Commissioner Cunningham for his support during his transition onto the Board, and for being “authentic and real” to his constituents. He noted that the issues Commissioner Cunningham has raised during his term coincide with his passion to work through the difficult issues along with his fellow Commissioners in order to represent the public. He added that Commissioner Cunningham has the vision and authenticity to look past the superficial and get to what is real. He told Commissioner Cunningham he would stay in touch with him, and reminded him that “old soldiers never die; they only fade away.”

Vice President Brown presented Commissioners Ernst and Cunningham with a gift in recognition of their terms on the Board and also presented them with their pictures that were previously on display in the lobby of the headquarters building. On behalf of the Board, EWEB staff and EWEB’s customers, President Brown again thanked them for their service.

Commissioner Ernst stated that she has enjoyed her time on the Board. She said that EWEB has faced many challenges in the past and currently, and will face many more in the future, and she knows that staff will continue to do great work. She added that she has missed former Board president Ron Farmer, who taught her to think logically, prepare herself for meetings, and ask the right questions, and she thanked him for that.

She said she had enjoyed working with former Commissioner Bob Cassidy, and thanked him for his support and for always being well-grounded. She thanked Commissioner Cunningham for his dedication to the Community Care low-income assistance program, and thanked Vice President Brown for his dedication to the McKenzie River and for keeping it in the forefront and spending extra time to be sure the river is protected. She told Commissioner Helgeson that he had done a great job during his tenure as an EWEB staff member and that she knows he will do a great job as a Commissioner.

She thanked President Simpson for his mentorship and support, and for his great public relations work and spending extra time to get out into the community and show EWEB in a positive light.

In closing, she said when she thinks about leaving a legacy, she thinks about creative tension, and she said that as EWEB moves forward, she has confidence in General Manager Gray, but she cautioned that sometimes when times get tough, the almighty dollar takes over. She reminded the Board (including the two Commissioner-Elects), General Manager Gray and staff that EWEB has been great in the past and can be great in the future, and that it is a publicly owned utility, and future decisions should be made with that in mind. She asked that they not move toward the mentality that “I and me and the dollar is most important.”

She gave the example of EWEB’s policy that was mentioned tonight in which a customer has to pay \$180 to have their meter checked for accuracy, and that the money will only be

refunded if the meter is inaccurate. She reiterated Commissioner Helgeson's earlier comment that this might stop some customers from checking the accuracy of their meter, and that many customers can't afford that. She hopes that EWEB will continue to provide opportunities for every ratepayer to be a participant in the service that they receive.

Commissioner Cunningham thanked his fellow Commissioners and EWEB staff. He told Commissioner-Elects Mital and Manning that they will enjoy their time on the Board, as EWEB has an excellent staff who will always do their best even if the Board doesn't agree with what they prepare.

He told Commissioner Helgeson that he had enjoyed working with him for the short time he has been on the Board, and he added that he feels the friendship that he has developed with Vice President Brown will carry forward for many years.

He encouraged Commissioner-Elects Mital and Manning to read the recent report the Board received regarding construction of the Roosevelt Operations Center (ROC), as it offers great insight into the difference between a building that is built by the government and one that is built by private industry, and that it will be good for the Commissioner-elects to know the difference.

He reiterated that he has enjoyed his four years on the Board, and if it hadn't been for the Bethel School Board having an open seat which he took (which only happens once about every 16-20 years), he would remain on the EWEB Board for a second term, as EWEB had "stolen half his heart" for the last four years.

ITEMS FROM BOARD MEMBERS

President Simpson asked that the discussion regarding backflow fees be queued up for a January meeting agenda.

Vice President Brown noted that the Northwest Public Power Association (NWPPA) Board of Trustees will meet again in Sacramento, California in March, and that he is available to attend if General Manager Gray wants to send him. He also mentioned an upcoming NWPPA conference in Bellevue, Washington from May 19-23 and said he and General Manager Gray can discuss whether or not he should attend one or both of those. He also recalled that he had skipped this year's NWPPA Board of Trustees meeting in Anchorage, Alaska because of the cost.

Due to Board policy that Commissioners cannot receive gifts valued at over \$25, Vice President Brown stated for the record that he recently received four of pairs of coffee mugs from the NWPPA.

Vice President Brown reiterated President Simpson's previous concern about the City of Eugene's proposal for a new \$10 fee for service fee, and also a new park maintenance fee, which could result in as much as a 20-30% increases on EWEB customers' bills.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray highlighted two items in his Board report that were requested by Commissioners Cunningham and Ernst. He noted that he will continue to respect those two requests in 2013 and will include Commissioners Cunningham and Ernst on his response even though their terms end at the end of December 2012.

General Manager Gray then noted that the next Board meeting will be January 2, 2013 (a Wednesday instead of a Tuesday because the New Year's Day holiday falls on a Tuesday), and that it will include the oaths of office for the three Commissioner-Elects, a work session, and more time for discussion between Board members. He added that this meeting will have a more open format for current and new Commissioners to share their perspective on items in general.

He also reminded the Board that the State of the City address will occur on Wednesday, January 9 at the Hult Center.

He then wished Board and staff Happy Holidays.

President Simpson thanked Ms. Smith for a great job in her leadership and co-management of EWEB and said he has been impressed with the new general manager/assistant manager management model as it creates diversity. He said it has been fun for him to see her and General Manager Gray trade off covering the different areas of the organization.

Vice President Brown adjourned the Regular Session at 8:44 p.m.

Assistant Secretary

President